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Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Gillette slashes rollouts

Moves to fight takeover

By LISA E. PHILLIPS

Gillette Co., fighting a takeover by Revlon Group, is curtailing its new-product introductions for the rest of 1987 and possibly some planned for 1988.

"They need the cash flow, and they want to boost earnings" to keep shareholders happy with management, said Andrew Shore, analyst at Shearson Lehman Bros., New York.

Top executives at Gillette have devoted much of their time to coping with the several takeover attempts by Revlon's chairman, Ronald Perelman, a company source said.

The third and latest such attempt came last week, when Mr. Perelman offered $47 a share, or $5.4 billion, for the Boston-based razor and toiletries marketer.

One of the new products shelved for now reportedly is an innovative home permanent. Called H-12, it is said to be the first odorless solution that colors hair as it sets curl.

H-12 was scheduled to roll out this summer, accompanied by "a huge media blitz featuring a famous personality," Mr. Shore said.

While H-12 was to enter the $150 million home permanent market, it also would have been sold through beauty salons—a new distribution channel for Gillette.

Analysts estimated its introduction would have cost the company $10 million to $30 million, depending on the ad budget and other introductory marketing costs.

The company anticipated first-year sales of $10 million to $15 million for H-12, Mr. Shore said.

Another product introduction directly affected by Mr. Perelman's repeated takeover attempts is a ceramic-blade shaving system.

Originally scheduled for rollout this year, introduction has been pushed back twice—first to 1988 and then to 1989, said Lynne Hyman, analyst at E.F. Hutton & Co.

The blades are being developed in a joint venture with a Japanese company, Mr. Shore said. Ceramic blades reportedly are superior to conventional tungsten razor blades because they stay sharp longer and give a closer shave.

However, ceramic blades would be much more expensive than tungsten blades and would require heavy advertising and marketing expenditures to get consumers to switch from cheaper disposable razors. Disposables account for more than 50% of the

(Continued on Page 51)

Hoyne hits snag

Wall St. puts Ogilvy in play

By JON LAFAYETTE and LAUREL WENTZ

The Ogilvy Group is "in play," Wall Street analysts say, but former Ted Bates Worldwide executive John Hoyne may not be the one to buy it.

Many securities analysts believe there is a good chance the group, which includes Ogilvy & Mather and Scali, McCabe, Sloves, either will be taken over, recapitalized or taken private in a leveraged buyout.

"Ogilvy is definitely in play," said Greg Ostroff, a Goldman Sachs analyst.

Andrew Wallach, who follows agency stocks for Drexel Burnham Lambert, estimated there is a 35% chance that such a move will happen in the next 12 months.

He said in a competitive situation, the takeover price for Ogilvy would be about $57 a share, or $800 million. Mr. Wallach also speculated that management can afford a leveraged buyout of the company at $54 a share.

J. Hoyne

Ogilvy's stock price did not rise sharply last week, indicating the market may doubt a bid is forthcoming.

Earlier this month, Mr. Hoyne, formerly head of Bates' international unit, said he had purchased 80,000 Ogilvy Group shares and may buy more (AA, Aug. 17).

But last week his takeover strategy hit a roadblock in London. Sources familiar with his

(Continued on Page 50)

'Here to stay'

Gannett's 'USA Today' 5 years old

By WILLIAM F. GLOEDE

ROSSLYN, VA.—In the lobby of Gannett Co.'s steel-and-glass headquarters there's a bronze sculpture of a man sitting on a bench reading a newspaper.

Back in 1982, Gannett erected this monument to its new national daily newspaper, *USA Today*, almost before the ink on the paper's first edition had dried.

It was an overt expression of optimism, of Chairman Allen Neuharth's conviction that *USA Today* would succeed. And, as the paper reaches its fifth birthday next month, it looks as if it has.

USA Today officially was declared a success at a news conference in June, when John Curley, Gannett's president-ceo and *USA Today's* first editor, proclaimed it made its first-ever profit that month—$1,093,956. *USA Today*, he said, is "here to stay."

There were times during the previous five years

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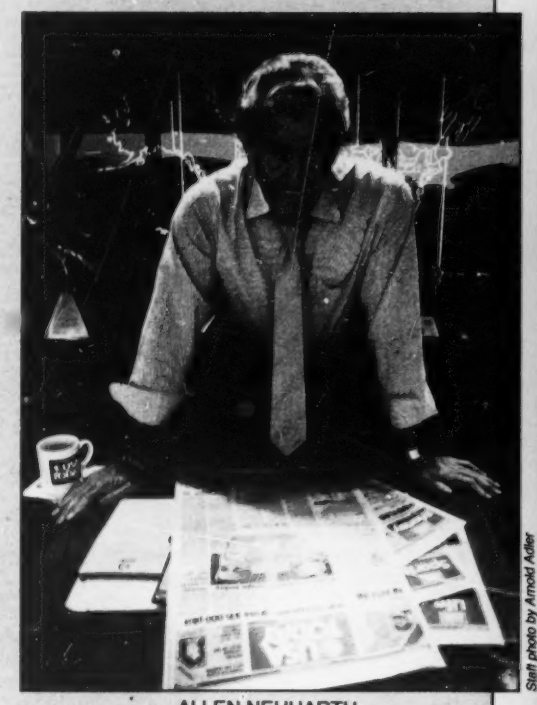


Staff photo by Arnold Adler

ALLEN NEUHARTH

Prince with a paper crown

By WILLIAM F. GLOEDE

Allen Neuharth is the kind of guy novelists create.

Without benefit of an Ivy League education, wealthy friends or powerful relatives, this South Dakota farmer's son has built one of the nation's largest media conglomerates from a relatively modest string of monopoly-market newspapers.

Along the way, the chairman of Gannett Co. has grown rich on Gannett stock, appreciating some 2,200% since 1967 if splits are factored in. Gannett has recorded 79 consecutive quarters of earnings increases, maintaining the momentum despite five years of heavy operating losses at *USA Today*, its national daily newspaper.

Now that his brainchild is beginning to break even, Mr. Neuharth, who gave up his ceo title at Gannett in 1985, has been traveling across the land with the *USA Today* BusCapade, to take the country's collective pulse.

Mr. Neuharth, who when talking about himself is given to understatement, says, "It has been pretty gratifying to see that there's hardly anyplace in the country where *USA Today* is not recognized."

The man who changed America's reading habits was born in Eureka, S.D., in 1924. He graduated cum laude from the University of South Dakota

(Continued on Page 53)

Last Minute News

Gravy Train switches to Bayer, Bess

CHICAGO—Quaker Oats has assigned the Gaines Gravy Train dog food account to Bayer, Bess, Vanderwarker & Flynn here from Chiat/Day, New York. Spending was $7 million in 1986, but the budget is expected to increase to at least $12 million under Quaker's ownership. Quaker acquired Gaines through its purchase of Anderson, Clayton. C/D retains other Gaines brands. Separately, Quaker is reorganizing its U.S. & Canadian Grocery Products unit following the resignation of Hedric E. "Pete" Rhodes, 43, exec VP, U.S. Foods. He is succeeded by James R. Tindall, 41, cereals division president. Quaker will go from two to three operational groups and add a support-services group.

Arby's serves creative work to Doner

ATLANTA—Arby's awarded the creative assignment for its $9 million-to-$12 million account to W.B. Doner & Co., Baltimore. Doner's

(Continued on Page 8)

Workshop kicks off

By BETH AUSTIN

NEW YORK—Consumer-product marketers must encourage innovation and take financial risks, but marketing efforts still must bring profits to the bottom line, says William D. Smithburg, chairman-ceo of Quaker Oats Co.

Mr. Smithburg is the keynote speaker at today's session of the 30th annual ADVERTISING AGE Creative Workshop at the New York Hilton.

This year's Creative Workshop, which opened Aug. 23, is expected to draw 900 people from 43 countries, including the first-ever contingent from the People's Republic of China.

In his address, Mr. Smithburg calls Chicago-based Quaker "a marketing-driven company. We firmly believe that the best way we can deliver value for our shareholders is by building strong, profitable brand franchises.

"Advertising obviously plays a big role in that process. In fact, our advertising and merchandising budget keeps growing from a little below 15% of sales five years ago to almost 22% of sales now.

"In our largest business—U.S. and Canadian grocery products—our A&M [advertising and marketing] spending rose 35% in fiscal 1987 to a record $663 million."

Although some people in the financial community may view the trend toward increased marketing spending merely as one more rising expense, Mr. Smithburg says, "A&M spending is what drives the strong increase in value we've been delivering to our shareholders for the last decade.

"So the shareholders should be glad we're making those investments in brand strength, because brand strength is closely tied to our profitability."

Mr. Smithburg outlines four steps to marketing success: market research; development of innovative, superior products; aggressive marketing strategies; and bottom-line profitability.

That last item is a key to a successful brand, he says. Although Quaker is more than willing to spend ad dollars on its products, that expense must justify itself within a reasonable amount of time.

"All too often, we have been in situations where financial success was assumed to go hand in hand with the name recognition produced by an aggressive marketing strategy," Mr. Smithburg says. "But buying market share for its own sake can often fail to deliver the necessary financial success.

"Another accepted philosophy is that of 'building a business,' a philosophy by which you could miss your financial targets year after year with promises of good returns somewhere in the distant future.

"But often there's no light at the end of that tunnel.

"In today's business environment, we can only invest for a relatively short period of time in products that do not translate into improved value for

(Continued on Page 51)

P&G taps pair to take place of Goldstein

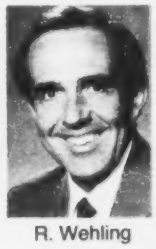
By LAURIE FREEMAN

As Procter & Gamble Co 's VP-advertising, the late Robert V. Goldstein liked to have his agencies' executives call him—day or night—to discuss whatever issue was on their minds.

"Bob encouraged us to call him. . . . Even if he didn't like what he was going to hear, he wanted us to call," one top agency executive said.

The "open-door" policy Mr. Goldstein promoted, and that P&G's agencies have come to expect, probably will not change under the dual advertising-management stewardship of L. Ross Love and Robert Wehling, named by P&G last week as Mr. Goldstein's successors.

L. Love


R. Wehling

Mr. Goldstein died Aug. 1 in a rafting accident on the Chilko River in British Columbia (AA, Aug. 10, *et seq.*).

Mr. Love, 41, was named general advertising manager, and Mr. Wehling, 48, was named general marketing services manager, a new post. Both were associate managers in the general advertising department.

General advertising managers traditionally move up to the post of VP-advertising at P&G.

Mr. Love, the highest-ranking black executive at Cincinnati-based P&G, has been with the company since 1968. A noted tennis ace who agency sources said "played to win," he will assume the principal duties of dealing with ad agencies and related industry-association activities, the company said.

Mr. Wehling, an avid reader and moviegoer, is responsible for P&G's media and programming services, and will add sales promotion and marketing services to his duties. The 27-year P&G veteran is a competitive marathon runner "who managed to finish the New York marathon the year [1984] an enormous number of runners dropped out because of the heat," a company source noted.

Both previously reported to Mr. Goldstein; they now will report to P&G Senior VP W. Wallace Abbott.

By naming two advertising managers, P&G is tacitly acknowledging that the role of VP-advertising has expanded beyond the reach of one person, agency executives said.

Messrs. Love and Wehling will oversee a U.S. advertising budget estimated by ADVERTISING AGE to be $1.4 billion. Also, they will operate in an advertising environment that has changed dramatically since Mr. Goldstein was named general advertising manager in 1979. He was elected VP-advertising that same year.

In recent years, P&G has had to cope with a media landscape far different from the years when network TV dominated consumers' viewing habits, and also with the age of agency megamergers.

P&G has reworked its internal structure, evolving from the strict brand-management system it created to one that has taken on many aspects of team management

(Continued on Page 51)

Highlights

Curtain goes up on box office boom 4

Two years ago people predicted the end was near for theaters; now the box office is busy and competition for audiences is intensifying. Some industry observers claim the dramatic turnaround is due to more sophisticated marketing techniques, creative promotional stunts and new theaters. But those in the business say one factor stands out: the product.

Movement among travel magazines 26

Rivals are meeting the challenge of *Conde Nast's Traveler* as it gets ready to enter the competitive travel-magazine market. The first issue of Conde Nast Publications' new monthly began arriving in subscribers' mailboxes last week; other titles in the field are making their moves as the new magazine appears.

ITT continues ad blitz 48

ITT Corp. will start the second phase of its $9.5 million "It is ITT" campaign in mid-September. By now, of course, many people know "It is ITT," thanks to the company's June multimedia blitz. The campaign represents the first time ITT has concentrated its TV buying solely on Sunday shows, as well as the largest print campaign the company has ever introduced.

INTERNATIONAL

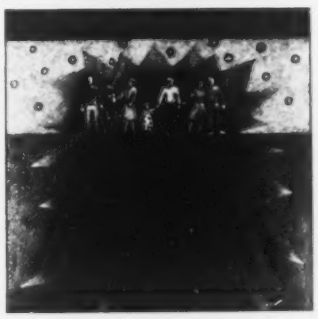
Pepsi mending fences in Philippines 33

Pepsi-Cola is trying to recover in the Philippines after business suffered from allegations of bottler corruption associated with the ousted Marcos regime. The company now faces the challenge of restoring financial and public integrity to its operation as well as regaining market share.

OTHER NEWS

Major consumer magazines generally had good news to report for the first half of 1987, according to the Audit Bureau of Circulations' latest FAS-FAX report. Page 6.

SPECIAL REPORT



***Test-Marketing**—Test-marketers are relying on information generated by new technology to help reduce the risk of new-product flops. Some companies are using the comprehensive data in research and development. They hope test results will help push products on the retail level. Starts after Page 28.*

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ABP MPA RED TAG ABC AAPA

Calif. group seeks agency

Recycling effort

SACRAMENTO, CALIF.—California Glass Recycling Corp., an organization of glass manufacturers, is contacting 17 California agencies about a one-year, $1 million-to-$4 million project to encourage Californians to recycle glass containers.

Prompting the effort is a new state law that requires beverage distributors to contribute to a state recycling fund 1¢ for every aluminum, glass or plastic container put on the market. After two years, that fee will double or triple for industries that haven't shown a 65% recycling rate.

Sources said agencies contacted by CGRC include Chiat/Day, Ketchum Advertising, Sokol & Berman and Solem/Loeb & Associates, all San Francisco, and Phillips-Ramsey, San Diego.

California Prune Board, San Francisco, expecting a large crop this year, boosted its 1987-88 marketing budget by 37% to $6.5 million. The commodity board for the first time will supplement its national print advertising with a series of 10-second TV spots running in nine Eastern and Southern markets. Hal Riney & Partners handles.

Charles Demoney, 47, has joined MGM Grand Air, Los Angeles, as president-chief operating officer. Mr. Demoney previously held the same title at Denver-based commuter service Pioneer Airlines. He succeeds Timothy Collins, 39, who remains as a consultant to the start-up luxury carrier. MGM Grand, which last week began a $1.5 million TV campaign for its "Grand Class" service, will start flying Sept. 8. Admarketing handles.

West Coast News

Natural Nectar Products, Culver City, Calif., is introducing Fi-Bar, a granola-bar-style fiber snack, in supermarkets in California and Colorado. The initial regional rollout will be backed by a $2.5 million radio and print campaign starting in late September. Klein/-Richardson, Los Angeles, handles.

Making scents

Liz Taylor, Tiffany to drench fragrance market this fall

By PAT SLOAN

NEW YORK—There will be a strong scent in the air this fall when Elizabeth Taylor, Tiffany & Co. and a host of competitors introduce new fragrances.

But whether the scents bring the sweet smell of success or the sour odor of failure will be determined by the consumer, who lately hasn't been too kind to the fragrance industry.

In 1986, unit sales of women's fragrances dropped 3%, according to industry consultancy Allan Mottus & Associates. So far, 1987 has not produced a great rebound.

"Overall, I don't see that much change," said Nancy Hall, an analyst with Smith Barney. "But that doesn't mean there won't be opportunities for individual successes. If the trends were really that bad, there'd be no reason for successes like Calvin Klein's Obsession."

Larry Wechsler, president, Revlon Group's U.S. beauty company, predicted success for many marketers this season.

"The industry in general has been soft, but it's now beginning to show a little more energy," Mr. Wechsler said.

Behind those signs of renewed life in the $3 billion category are lower inventories at retail, which free

(Continued on Page 52)

Graphic by Amy Palmer

Papers to offer new discounts

By PATRICIA WINTERS

In yet another effort to win national package-goods advertising, a consortium of 17 newspapers, including *The Boston Globe* and *The Los Angeles Times*, is offering a streamlined group-discount ad rate.

New York-based Million Market Times Mirror Marketing (MMTM) has developed an 18-month test plan that offers a group buy of its 17 newspapers with a commissionable discount of 29% off the national ad rate.

MMTM executives said they want to eliminate "advertiser confusion" about the Package Goods Rate Plan, an earlier industrywide plan offering a discount rate to national package-goods advertisers (AA Dec. 15, *et seq.*).

Some 258 newspapers have adopted some form of the Package Goods Rate Plan, but the discounts vary and each paper has its own requirements for getting the discount. Some regional package-goods companies have used the various rates, but no national package-goods companies are known yet to have made major buys since the program began last June.

"It's difficult for advertisers and agencies to get a handle on the whole issue," said G. Kingsley Anthony, MMTM president, commenting on the Package Goods Rate Plan. His company's new plan, he added, "is an effort to offer uniformity among our own papers."

One reason for fragmented discounts is that an industrywide unified rate could be construed as rate fixing. MMTM noted that its program offers a 17-newspaper group discount of 29% for a 13-time buy, but the discounts by each paper vary if purchased independently.

For example, *The Los Angeles Times* offers a discount of about

(Continued on Page 51)

Nestle claims 'breakthrough'

Coffee battle boils

By JUDANN DAGNOLI

The instant coffee wars are percolating again as Nestle Foods Corp. rolls out Taster's Choice Colombian Select, a freeze-dried 100% Colombian coffee it claims fills a totally new niche in the $4.8 billion coffee market.

The brand is being touted as a "breakthrough," providing the "full, rich flavor" of 100% Colombian coffee "with only half the caffeine."

But, since industry observers point out that all instant coffees are partially decaffeinated in the manufacturing process, Colombian Select's point of difference apparently is that it is advertising that fact.

Instant Colombian coffee is already offered by market leader General Foods Corp., with Yuban; Tetley Inc. with Brown Gold; and Nestle with its acquired MJB, a West Coast brand.

None are advertised as being partially decaffeinated.

The ad campaign for Taster's Choice Colombian Select starts next month, via HBM/Creamer, Pittsburgh. Although campaign details and spending figures are not available, a Nestle spokeswoman said TV and print support are planned.

White Plains, N.Y.-based Nestle, the No. 2 coffee marketer, last year spent $12 million in measured media for Taster's Choice regular and decaffeinated, Leading National Advertisers reported.

Premium-price Colombian coffee seems to be gaining ground with U.S. coffee marketers, who have been put in a profit squeeze by depressed coffee prices at retail.

Procter & Gamble Co., Cincinnati, No. 3 in the market with an overall 17.9% share, is planning to market a

(Continued on Page 50)

World News Roundup

LONDON—SMH, the Swiss holding company for Swatch and other watch brands, will centralize its $100 million worldwide media-buying account with Publicis International, Paris, and Michael Jarvis & Partners, a U.K. international media buyer, sources say. Media buying previously was handled by local agencies, which will continue to handle creative work.

DUESSELDORF—Pepsi-Cola awarded Team/BBDO its $4 million account after J. Walter Thompson Co., Frankfurt, resigned. Team/BBDO also handles the $600,000 Pepsi Light account.

LONDON—General Foods assigned Ogilvy & Mather its $2 million Master Blend ground coffee account, previously with D'Arcy Masius Benton & Bowles.

ZURICH—The Jean Frey Group, Switzerland's No. 3 periodicals publisher, was sold in a surprise move to industrialist Werner K. Rey for $130 million. Frey had been negotiating for several months with Ringier AG, publisher of the largest Swiss daily (AA, Aug. 10).

SYDNEY—Frank Lowy's Northern Star Holdings bought media baron Kerry Stokes' two Seven stations and one Ten station. Mr. Lowy now

(Continued on Page 33)

Coast-conscious: Agencies work hard, but their styles differ

By JENNIFER PENDLETON

LOS ANGELES—East vs. West. Black and White. The agency business on the West and East Coasts in some ways is as different as Vanna White and Geraldine Ferraro.

"Here, when an agency competitor lands a new account, we make a habit of sending champagne," says Gerald McGee, exec VP-managing director at Ogilvy & Mather. "In New York, you'd send them a subway ticket and hope they got mugged."

But don't let the esprit de corps among western shops fool you. West Coast agencies are a lot closer than their New York counterparts, but that doesn't mean they don't compete. While agency chiefs all know one another and serve—cordially—on local industry committees, competition among them takes on "Conan the Barbarian" dimensions, Mr. McGee says. "They're a bunch of smiling sharks."

Senior-level West Coast agency executives who worked in New York earlier in their careers almost all say the same thing: The strug-

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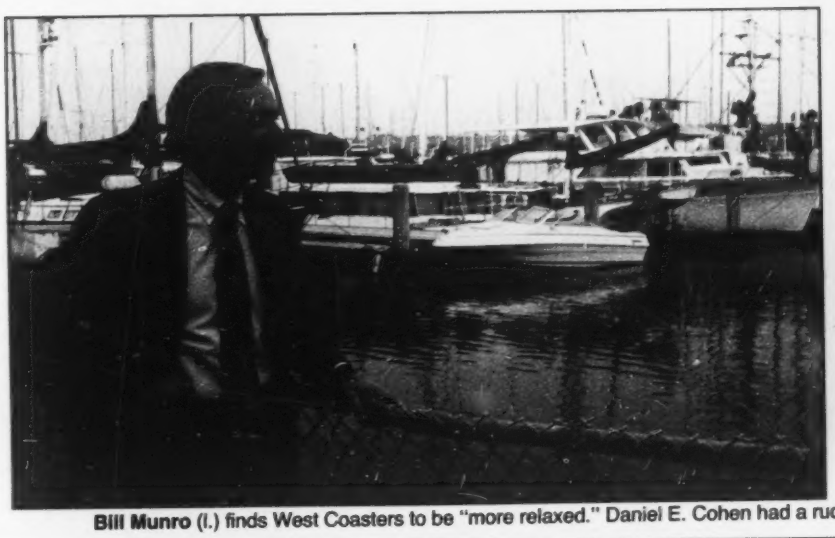
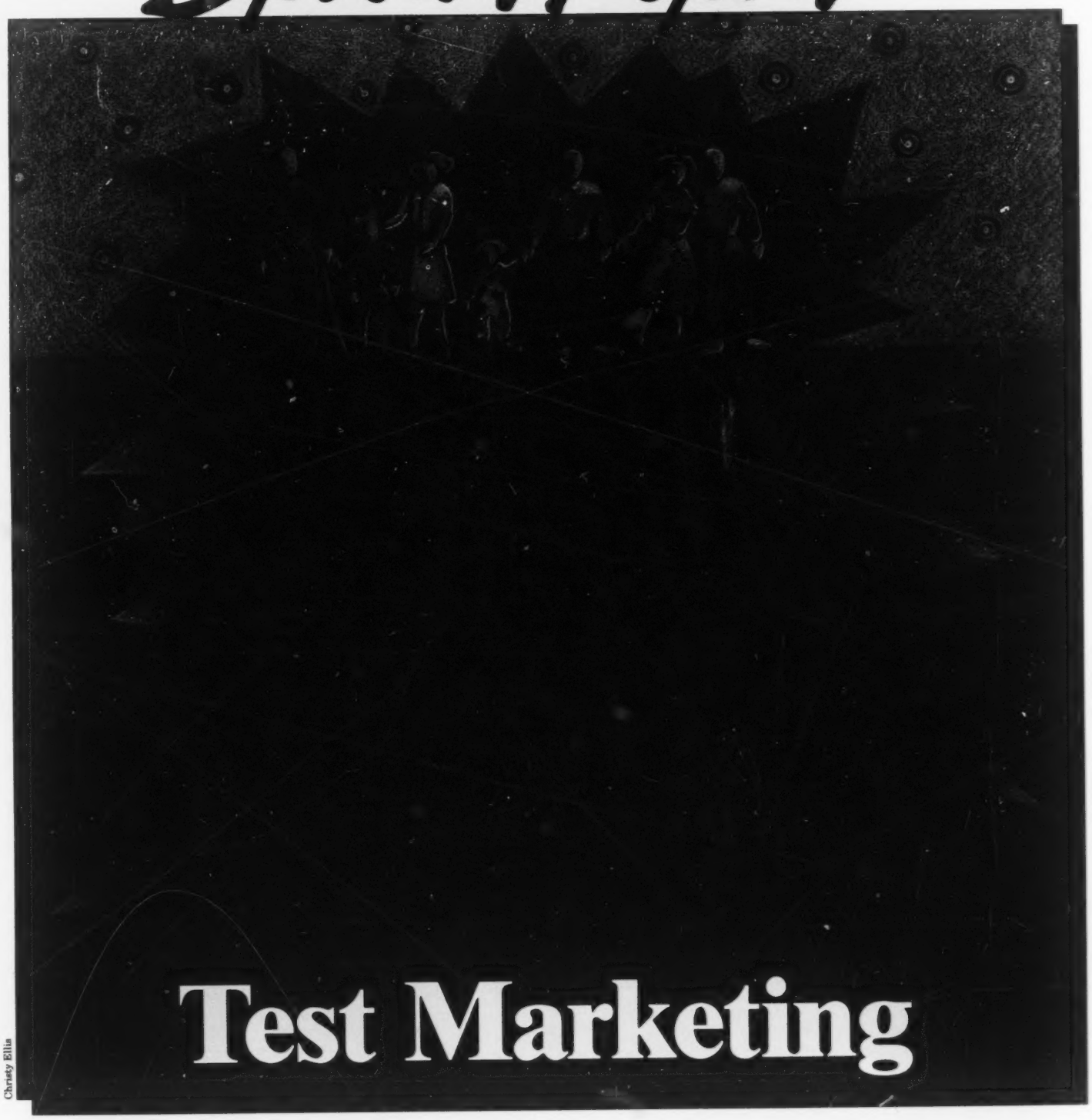


Staff photo by Arnold Adler

Bill Munro (l.) finds West Coasters to be "more relaxed." Daniel E. Cohen had a rude awakening when he returned East.

Special Report



Christy Ellis

Test Marketing

New technologies restrict the risk

Once restricted to use by large companies in the high-velocity package-goods business, test marketing has opened sophisticated methodologies and facilities to most all types of marketers.

Non-package-goods companies now embrace the concept of risk reduction through test marketing, and many of these companies are using concepts and methods proven in the package-goods industry to test market their own products and services. Today, test marketing is often used as a vital tool for product development.

In 1987, Chicago-based Market Facts Inc. surveyed 140 market-research directors for large consumer-driven companies and got a 60% response.

The findings include:

- 51% of respondents said that, within the past year, they had used some test-market programs; 54% said they had conducted simulated (i.e., laboratory) market tests.
- 23% said that simulated test marketing had accounted for the greatest proportion of outside custom-research expenditures in the past year.

Comparing this year's results with comparable studies Market Facts conducted in 1978 and 1983 shows that acceptance of the "new technologies" and methodologies is an ongoing process.

For example, there is a growing interest and experimentation in capturing data in test panels via the use of small hand-held scanner devices that rely on consumers to record UPC codes on a meal-per-meal basis. This relatively new method of utilizing electronic data collection to increase coverage and accuracy is now being explored by several research organizations.

Experimenting with new technologies in test marketing probably will continue into the future as marketers strive to minimize the risk associated with marketing expenditures.

Testing the techniques

Technique	Percent used	Expenditure growth
Test market labs	76%	38%
Phone tracking studies	69	4
Controlled store testing	47	7
Scanner panel, no split cable	47	9
Split cable scanner panels	44	24
Traditional test marketing	31	9
Purchase diary panels, no UPC	20	—

Source: Market Facts

Testing juices up Slice's performance

By Jennifer Lawrence

From initial test marketing results in 1984, PepsiCo knew its juice-added Slice would be on the cutting edge of a new soft drink segment.

In three years, Slice has catapulted to the No. 6 soft drink trademark, posted $1 billion in annual sales and added three regular and diet flavors.

Much of Slice's meteoric success was because the Purchase, N.Y.-based company acted quickly on early test findings so the product could make its way to market before competitors capitalized on the juice-added concept.

The method Pepsi-Cola, PepsiCo's Somers, N.Y.-based division, used to test and roll out Slice illustrates the company's thirst for a successful lemon-lime soft drink. In the process, Pepsi-Cola created the juice-added segment that now represents about 5% of the $39 billion soft drink market, according to industry figures.

"Pepsi wanted to have a significant lemon-lime product," says Roger Adams, Pepsi USA director-marketing. "We felt that being a later entrant into the segment we needed a point of difference."

That point of difference was juice.

Pepsi's consumer research in the early 1980s indicated that consumers were looking for added value in products. Soft drinks had been busy removing caffeine and calories but had not introduced a "value-added" beverage. Pepsi chose to add value by adding juice—a popular marketing twist overseas.

■ Finding that value-added difference with other lemon-lime brands held key

Pepsi research also showed that consumers did not realize that lemon-lime soft drinks, while fruit-based, lacked real fruit juice—an important point to stress in Slice's advertising.

Even though Pepsi had a lemon-lime product, Teem, it was not seen as a strong competitor to Philip Morris Cos.' dominant 7UP and Coca-Cola's Sprite. Teem, weak in food-store sales, was far from a household name. To reposition the product would have been an uphill battle, Mr. Adams says.

Through focus-group research, Pepsi found a high degree of interest in a juice-added lemon-lime soft drink. Lemon-lime Slice development spanned 18 months, coming to a head in 1984.

Lemon-lime Slice, in both regular and diet versions, was put into test in June 1984 in Phoenix and Tulsa, Okla., Milwaukee and most of Wisconsin. Test marketing was handled in-house.

While in test, the lemon-lime soft drink category represented 12.7% of total market share, a distant second to the cola category. In Milwaukee, the lemon-line category was highly developed—a market condition that would truly test Slice's appeal. "We wanted to see how this thing would fly," says Mr. Adams.

Tulsa represented an "average" lemon-lime market while Phoenix was "below average" according to Pepsi. "The three markets had to be large enough to be meaningful but manageable," explains Mr. Adams. "We also wanted a good mix of lemon-lime development," he adds.

In all three markets, Slice was supported by a multimedia ad campaign via J. Walter Thompson USA, New York. The introductory "We got the Juice" tagline still is used in Slice ads, emphasizing Slice's "point of difference."

From the start, Slice was positioned against 7UP and Sprite. That approach still is used, although Pepsi has backed away to some degree from hard-hitting comparisons, according to Mr. Adams.

It was important to go head to head against 7UP and Sprite initially, because consumers were not aware those products did not contain juice, says Mr. Adams. Ad copy and the visuals emphasized Slice's fruit content.

Test results confirmed Pepsi's earlier findings that it was "easy to find acceptors, trial was good, there were non-triers and few negative signs."

After three months, early figures in Milwaukee, Phoenix and Tulsa came in from between 3.5% to 4.5% of the total soft drink market. Even the 3.5% share exceeded expectations, says Mr. Adams.

Besides besting share expectations, Slice also attracted consumers to its diet version—a development that Pepsi had not anticipated.

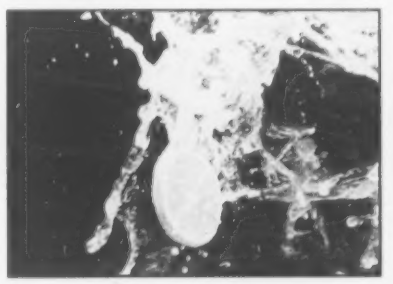
"The juice benefit in Diet Slice was strong," says Mr. Adams. "Typically diet versions represent about 25% to 35% of parent brand's sales. In Slice, we saw it was 50% for regular and 50% for diet.

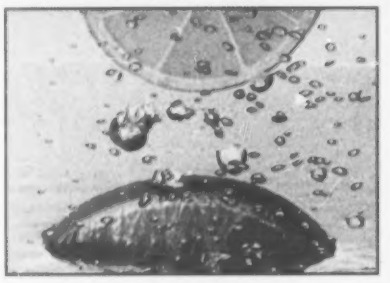
"We never would have gotten [that information] out of earlier market research."

After seeing the success of Diet Slice in test markets, Pepsi began advertising Diet

(Continued on Page S-4)

Commercials for Mandarin Orange Slice played up the juice benefit in the effort to tap the third-largest soft drink segment.





Diet Mandarin Orange Slice was expected to succeed because the juice benefit in Diet Slice was strong.

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Source: 1987 Simmons Newspaper Ratings

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- What market meets all the ADI Media-mix requirements, minimal spillage, and low GRP costs (average 30 second TV spot reaches 19% @ 16.50 per point; the newspaper buy reaches 34% @ $16.54 per point)?
- What market offers tight monitoring and control with 80% reach of the All Commodity Volume through 14 supermarkets?
- What market has the most up-to-date auditing capabilities of Nielsen, Burgoyne, SAMI?
- What market is served by a dominant newspaper with over 88,000 daily circulation and 136,000 Sunday, 96% within the ADI?
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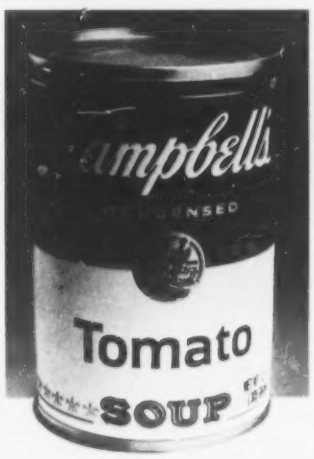

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Testing juices up Slice

(Continued from Page S-2)

Slice in separate TV spots in May 1985. Initial ads had included only a tag for the diet version.

Based on Slice's reception in its three test markets, Pepsi decided to expand into about another 15% of the country in fourth quarter 1984, bringing total distribution to 20%.

Most of the late 1984 expansion was concentrated on the West Coast—a highly developed lemon-lime market area offering a rigorous test for the fledgling product.

"We wanted to make sure Slice could stand up in that environment," says Mr. Adams. "Slice did very well so the decision came easily to continue rollout."

In January 1985, Slice began a gradual national rollout; by June it had reached its maximum distribution of 80% of the country. Bottler conflicts in the remaining 20% prevent Slice from achieving 100% market coverage.

But even before Slice reached maximum distribution, Pepsi knew it was onto something big. "We felt we had stirred up a category and achieved a large share in a short amount of time," Mr. Adams says. "We had to look around and see where our competition would come from.

"Since non-cola users are variety seekers and tend to be less loyal than cola users, we turned to Slice line extensions. We didn't know what competitors would do but we didn't want to wait. We had started a great new segment and we wanted to own its leadership."

In late 1984—only six months after Slice entered test markets—Pepsi began developing Mandarin Orange Slice to tap the third-largest soft drink segment, after colas and lemon-lime, according to Pepsi.

Pepsi was willing to commit development funds to ensure that an orange soft drink product would be ready, says Mr. Adams, who adds that the orange flavor was logical because of its "strong relationship to juice."

Diet and regular versions of Orange Mandarin Slice began testing in November 1985—the off-season for orange soft drinks.

This time Pepsi chose two well-developed orange soft drink markets: Hartford, Conn., and Phoenix. Pepsi wanted to determine if Mandarin Orange Slice moved more quickly in an established Slice market like Phoenix and whether it would take more time to develop the trademark in a new market like Hartford.

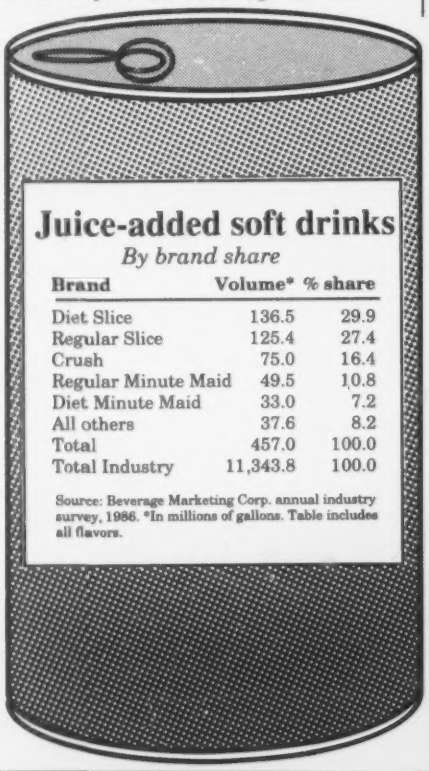
To the company's surprise, Slice's orange-flavor extension performed equally well in both markets.

Pepsi decided—based on results from its two test markets—to pursue Mandarin Orange Slice sales through a quick roll-out in the orange segment's off-season.

Spots for regular Slice recruited Cardinal shortstop Ozzie Smith. PepsiCo hopes the brand will reach a 4% share by yearend.

Rolled out gradually, beginning in January 1986, Mandarin Orange Slice achieved maximum distribution by July 1986. Slice and Mandarin Orange Slice are both available in 80% of the U.S., but not in all the same markets.

Part of the reason Pepsi pushed ahead with the rollout was Coca-Cola Co.'s simultaneous test of its Minute Maid juice-added orange soft drink.



Juice-added soft drinks

By brand share

Brand	Volume*	% share
Diet Slice	136.5	29.9
Regular Slice	125.4	27.4
Crush	75.0	16.4
Regular Minute Maid	49.5	10.8
Diet Minute Maid	33.0	7.2
All others	37.6	8.2
Total	457.0	100.0
Total Industry	11,343.8	100.0

Source: Beverage Marketing Corp. annual industry survey, 1986. *In millions of gallons. Table includes all flavors.

"Minute Maid was in test and it was clear to us that other orange competitors would do the same," Mr. Adams says.

"We had to weigh the benefits of doing extended testing vs. the risks of delay. In this case, we had a window of opportunity."

The aggressive strategy paid off. Mandarin Orange Slice now is the leading orange soft drink, according to Pepsi.

> ***"It was not a calculated decision to develop an apple or cherry cola soft drink. But it was a specific process for orange."***
>
> **Roger Adams, Pepsi USA**

Preliminary analysis does indicate that Mandarin Orange Slice has gained leadership position in the orange segment, according to Beverage Marketing Corp., N.Y., whose figures show the product could be approaching a 1.5% share of market.

While Mandarin Orange Slice was under development in 1985, Pepsi began looking at more flavor ideas in what Mr. Adams calls an "evolutionary process."

"We were looking for potential ideas and when we hit on something, we do more active development.

"It was not a calculated decision to develop an apple or cherry cola soft drink. But it was a specific process for orange," he says.

Pepsi however saw potential for an apple Slice and a cherry cola Slice. The company announced the new flavors to bottlers in February 1986 and gradually rolled Apple Slice and Cherry Cola Slice without prior testing.

"We made the decision to provide flavor variety," says Mr. Adams. "We wanted a broad-based trademark. We didn't put Apple Slice or Cherry Cola Slice in test because of the uncertain state of the competition."

Distribution of Slice's apple and cherry cola flavors began in May 1986 and rapidly expanded to 50% of the country. Now, like Slice and Mandarin Orange Slice, they are available in 80% of the country—though geographic areas do not necessarily overlap.

Slice's two newest flavors are doing "reasonably well," says Mr. Adams, adding that they provide variety and introduce new users to the Slice franchise.

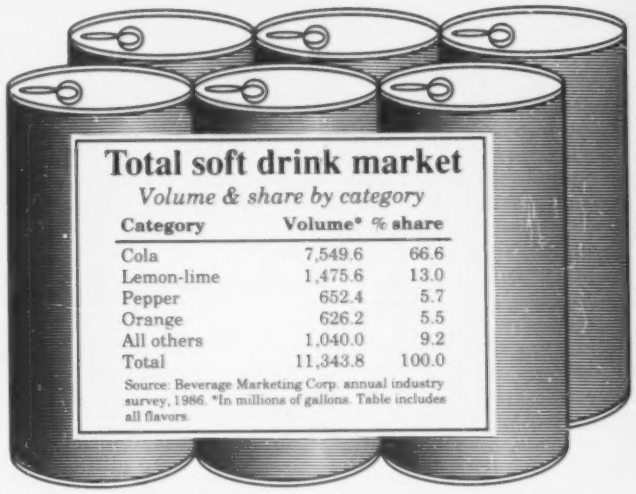
Pepsi has kept up a heavy ad schedule for its Slice flavor extensions, promoting them individually in TV, radio and print. Lemon-lime Slice spots also are tagged with the announcement of the new flavors. Pepsi also uses split 30-second commercials to advertise more than one flavor. Last year Pepsi spent about $32 million in measured media on its Slice line, via JWT, according to Leading National Advertisers.

While beverage analysts agree that Slice has been an overwhelming success, they point out that the apple and cherry cola flavors have led to a degree of cannibalization.

At the end of 1986, the total Slice line held a 2.5% share of the total soft drink market, according to John Maxwell, beverage analyst at Furman Selz Mager Dietz & Birney, New York. He believes Slice could reach a 4% share by yearend. Pepsi plans for Slice to achieve a 10% market share but the company declined to reveal its goal deadline.

Industry analysts say Pepsi's goal is a long way off. Nevertheless, they credit Pepsi for creating a whole new soft drink segment.

Manny Goldman, beverage analyst at San Francisco-based Montgomery Securities notes, "Slice has established a very substantial place in the sun. Pepsi has established a new soft drink brand and that, by the way, is not that easy to do." AA



Total soft drink market

Volume & share by category

Category	Volume*	% share
Cola	7,549.6	66.6
Lemon-lime	1,475.6	13.0
Pepper	652.4	5.7
Orange	626.2	5.5
All others	1,040.0	9.2
Total	11,343.8	100.0

Source: Beverage Marketing Corp. annual industry survey, 1986. *In millions of gallons. Table includes all flavors.

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When adman **Don Potter** proposed, he wanted to give his beloved a sign of his affection. So the president of **Potter & Mack**, a Toluca Lake, Calif.-based agency, commissioned a 48-foot outdoor board with his marriage proposal on it. The board was mounted across from Fromin's Restaurant & Deli in Encino, where Potter's beloved, **Sue Mendelsohn**, is co-owner. Copy on the all-type board read: "Sue—Like bagels and lox, we belong together. So, marry me, already! Love, Don." "Sue said, 'If you ever propose to me, it had better be creative, Mr. Adman,' " Potter said. The creative approach paid off. Sue said yes.

Bijan, the exclusive and sometimes controversial clothier whose client list has included everyone from **Prince Charles** to **Warren Beatty**, evidently takes the maxim "The show must go on" quite literally. Recently, he was flying to Washington with his wife, model **Tracy Hayakawa**, to appear on **Larry King's** show when heavy rain prevented his private plane from landing. Bijan turned back to New York so he could hook up to King from a studio there. But when he got to New York the passengers weren't allowed to disembark. With airtime approaching, Hayakawa convinced the pilot to drop a ladder from which she and Bijan climbed down and then made a mad dash through the rain to a waiting car that got him to the studio on time. Ironically, it was heavy rain that also forced a last-minute change of plans in the couple's California wedding reception two months ago. Bijan had a garden reception all ready to go but then came a downpour that required the party plans be totally changed only five hours before the guests were due.

Get ready for another deluge of U.S. media coverage on **Pope John Paul II**, pegged to his U.S. visit in September. **NBC News** already has slated a news special for Aug. 25 prime time, and the Spanish-language **Univision** and **Telemundo Group** are among the TV networks planning extensive coverage of the nine-market tour. And, as happened on his U.S. trip in the late 1970s, there'll be a multitude of merchants hawking (unauthorized) papal souvenirs (AA, Aug. 10)—a phenomenon *Newsweek* labeled "a bonanza in bad taste."

When the feature-length cartoon "G.I. Joe: The Movie"

Johnson

Keillor

Levine

debuts Aug. 25 in home video, via **Celebrity Home Entertainment**, Woodland Hills, Calif., actors **Don Johnson** and **Burgess Meredith** will be among the name stars lending their voices to the characters. The feature had been planned for theatrical release this fall, but **Noel Bloom**, Celebrity Home chairman, said that thanks to the videocassette boom, the direct-to-VCR strategy should deliver an audience "as great as or greater than" would be attainable in theaters.

Though **Paul Hogan** has enticed Americans to travel Down Under, the Australian Tourist Commission has nixed using him in Japan, where it will concentrate instead on travel agents and promotions. It seems studies by psychologists and marketing experts suggested Hogan's style wouldn't fly in Japan. "There are a whole stack of danger signals that start flashing as soon as you think about putting Hogan on the air in Japan," says **Don Morris**, managing director of **Mojo MDA**, the tourist commission's Sydney-based agency. "The Japanese have an overt sense of humor. They like stark contrasts. Hogan's gentle lampooning has no role in a hierarchical society like Japan. Subtle or laconic humor just doesn't work." That argument's supported by the success pattern of " 'Crocodile' Dundee," Hogan's first feature film. The film's success in most parts of the world hasn't been duplicated in Japan. In any event, Australia needn't worry about its own popularity with the Japanese: the number of tourists from Japan is growing by 25% annually.

Burt Manning may want to keep the cash he's getting for returning to **J. Walter Thompson Co.** under his mattress. He's filed a lawsuit against financial manager **David Cogan**, claiming Cogan induced him to invest $549,000 in five tax-shelter limited partnerships from 1981 to 1983. In legal papers filed in U.S. District Court in New York, Manning claims that little of his principal has been recovered, he's received no tax benefits and various management and accounting companies in which Cogan is involved received undisclosed commission for selling those partnerships to Manning while they were supposed to be representing Manning's interests. Cogan was unavailable for comment but is said to have clients involved in show business and sports. He also represented several members of senior management at what was **Ted Bates Advertising**, some of whom were not surprised by Manning's complaint. But **Don Zuckert**, now president of **Backer Spielvogel Bates**, said Cogan "did represent me. He represented me to my satisfaction. My tax returns were always accepted without penalty."

Garrison Keillor, who shared his mythical Lake Wobegone with the world via radio and books, offers guidance and advice on personal letter writing in the latest installment of **International Paper Co.'s** "Power of the printed word" campaign. The ad, via **Ogilvy & Mather**, New York, is starting to appear this month in young-adult-oriented publications and college-level magazines.#

Written by Pat Sloan and Stuart J. Elliott from AA bureau reports.

Former A-B exec joins rival Miller

By SCOTT HUME

Joseph Martino, who resigned under a cloud from Anheuser-Busch earlier this year, has joined rival Miller Brewing Co.

Mr. Martino, 34, who had held

Joseph Martino, VP-planning for Miller Brewing Co.

the post of VP-sales at A-B, joined Miller in Milwaukee last week with the title VP-planning. His responsibilities will include strategic planning and competitive analysis.

He will report directly to Miller Brewing President-CEO William Howell.

The move puts Mr. Martino, who held several prominent sales and marketing posts during his eight years at brewing industry leader A-B, in a top post at the second-ranked brewery.

A spokesman for Miller said that "under the conditions surrounding Mr. Martino's departure [from A-B], the standard 'no compete' clause was not applicable."

Mr. Martino was one of three executives who resigned from St. Louis-based A-B in March amid what company officials called "an internal investigation into allegations of improper conduct by certain employees and suppliers" (AA, March 23). Dennis Long, president of A-B's brewery unit, later resigned as well (AA, March 30).

That investigation focused on allegations that A-B executives had received kickbacks or gifts from Hanley Worldwide, a St. Louis sales-promotion agency that had done extensive work with A-B. Hanley declared bankruptcy and closed in December 1985.

Mr. Martino repeatedly denied any wrongdoing and never has been charged with any illegal activity.

A graduate of Brown University and the Wharton School of Business, Mr. Martino joined A-B in 1979 after three years in brand management at the Betty Crocker division of General Mills, Minneapolis.

Beginning as product manager for the Michelob brand, he subsequently held the positions of senior product manager, senior executive assistant to Mr. Long and director of field sales.

In 1983, at age 31, he was named VP-sales, making him the youngest person to be named a VP in A-B's history.#

Fragrances

(Continued from Page 3)

buyers to order more fragrances, plus the excitement generated by some upper-crust women's fragrance introductions in select stores.

New men's scents for the mass market and some bold fragrance efforts by specialty stores also are creating optimism in the industry.

Tiffany will introduce its namesake fragrance next month, and the specialty store has big plans for the scent. Tiffany and its agency, McCaffrey & McCall, secured the rights to George Gershwin's "Rhapsody in Blue" from the Gershwin family and will use that as the theme of the print campaign that will support the launch.

It may launch a broadcast effort next year as well.

The fragrance will be introduced here in September with a "Rhapsody in Blue" concert followed by a dinner.

Until next year, the fragrance will be sold only through Tiffany stores. However, department stores already are asking for it.

In the mass-market segment, American Cyanamid Co.'s Shulton Group, Wayne, N.J., after watching Cosmair's Chaps and Coty's Stetson erode its Old Spice brand's market share, this fall is spinning off Night Spice.

Night Spice is positioned as a more romantic and slightly more expensive men's line.

Scali, McCabe, Sloves, New York, is handling the estimated $5 million in advertising for Night Spice. Ads are built around traditional boy-meets-girl romance themes.

Old Spice, which has been on the market for 50 years, is down to an 8.5% dollar share in drugstores so far this year from 11.2% in 1984.

Coty, though, has its own new brand set for the $1.1 billion men's segment. Coty will play to traditional/family values with Iron, a fragrance meant to suggest inner strength, integrity and dependability more than physical strength.

Ketchum/Hicks & Greist handles the $4 million-plus Iron account.

Besides Night Spice and Iron, the mass market this fall also will see introductions from Charles of the Ritz Group and Colonia at retail, and Avon Products through its door-to-door sales force.

Ritz is bringing out X'ia X'iang women's fragrance (AA, March 9), and Colonia, Orange, Conn., will introduce Dallas for men.

Avon, now marketing a knock-off of Old Spice called Brisk Spice, is rounding out its women's fragrance collection with Breathless, a romantic fragrance.

> *"Every year in department stores, there are one or two brands that are hot. . . . But those sales mean lost sales for someone else."*
>
> **—Colonia's John Mann**

For Avon, which will increase ad spending 15% for Christmas, the challenge was to create a sensuously positioned fragrance to fill a gap in the company's all-American product line without offending consumers or sales personnel, Avon Group VP-Marketing Phil Crosland said.

N W Ayer walked that fine line by creating a TV commercial where romantic tension builds between a married couple staying at a hotel.

Avon is not the only fragrance company showing caution in how it approaches the subject of sex these days.

"With all the concern about AIDS, many companies are being extra careful in how they treat sex in advertising," said one fragrance marketer who asked not to be identified.

Still, that doesn't mean sex is dead in the fragrance industry. While no company has equaled the sexual mathematics applied to Calvin Klein's advertising for Obsession, created in-house, others have tried their own offbeat ads, including one from Suzanne De Lyon Inc., Houston, whose Animale scent is depicted by a woman painted like a denizen of the jungle.

The advertising is being handled in-house.

One of this year's most talked-about fragrances is Passion. The fragrance, by Elizabeth Taylor for Parfums International, is handled by Ogilvy & Mather, the former agency for Animale. Ad spending will reach $10 million for the rest of this year and $15 million in 1988.

Passion promises to be one of this year's most successful new fragrances.

When the fragrance bowed at Macy's earlier this month, sales ran second only to Giorgio in its first week.

By the second week, Passion climbed into the No. 1 spot, lending some credence to Parfums International VP-General Manager Michael Horowitz' projection of $30 million in sales by the end of December.

To help the fragrance get there, Ms. Taylor will do everything from having tea with consumers who buy $200 special-edition bottles of her fragrance to quoting Shakespeare and Dryden in TV commercials.

In one 15-second spot, she quotes from Shakespeare's "Julius Caesar": "Passion, I see, is catching!" She adds at the close her own line, "I sure hope so."

Fendi, an upscale fragrance by Elizabeth Arden Inc., is another success story.

Introduced earlier this year, the fragrance is the leading seller at Bloomingdale's and is being introduced into additional select stores.

But the success of Passion and Fendi no doubt will come at the expense of other fragrances.

"Every year in department stores, there are one or two brands that are hot," said John Mann, Colonia VP-marketing services. "They make a lot of noise, and you read a great deal about their staggering sales. But those sales mean lost sales for someone else."#